

## SENATE BILL No. 306

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### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 28-1.

**Synopsis:** Credit union conversions. Allows a mutual savings association to convert into a credit union. Allows a mutual savings bank to convert into a credit union.

**Effective:** July 1, 2002.

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## Landske, Craycraft

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January 7, 2002, read first time and referred to Committee on Insurance and Financial Institutions.

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Introduced

Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

## SENATE BILL No. 306

A BILL FOR AN ACT to amend the Indiana Code concerning financial institutions.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 28-1-21.11 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2002]:

4 **Chapter 21.11. Conversion of a Mutual Savings Association Into**  
5 **a Credit Union**

6 **Sec. 1. As used in this chapter, "conversion plan" refers to a**  
7 **plan for the conversion of a mutual savings association into a credit**  
8 **union that is prepared under this chapter.**

9 **Sec. 2. As used in this chapter, "credit union" has the meaning**  
10 **set forth in IC 28-7-1-0.5(3).**

11 **Sec. 3. As used in this chapter, "effective time of the conversion"**  
12 **means:**

13 (1) the date that articles of conversion are filed with the  
14 secretary of state; or

15 (2) the date designated in the articles of conversion as the  
16 effective time of the conversion.

17 **Sec. 4. As used in this chapter, "mutual savings association"**

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means a savings association (as defined in 12 U.S.C. 1813(b)) that:

- (1) maintains its principal office in Indiana; and
- (2) has a mutual form of ownership.

Sec. 5. As used in this chapter, "voting parties" means the depositors or members of a mutual savings association.

Sec. 6. For purposes of this chapter, voting parties have the voting rights as provided in the applicable corporate governance documents of the converting mutual savings association.

Sec. 7. With the approval of the department, a mutual savings association may convert into a credit union under this chapter.

Sec. 8. (a) The department shall prescribe procedures for the conversion of a mutual savings association into a credit union under this chapter.

(b) The procedures prescribed by the department must include the following:

- (1) The savings association must prepare and submit to the department a conversion plan that provides the terms and conditions required by the department for the conversion of the mutual savings association into a credit union.
- (2) The conversion plan must be adopted by not less than a majority of the board of directors of the savings association.
- (3) Upon approval of the conversion plan by the board of directors of the savings association, the conversion plan and a certified copy of the resolution of the board of directors approving the conversion plan must be submitted to the department for approval.
- (4) The conversion plan must be conditioned on the approval of not less than a majority of the total number of votes eligible to be cast at a regular or special meeting of the voting parties. The director of the department must approve the method used to notify the voting parties of the meeting held to consider the conversion plan. The director of the department may require the converting savings association to provide the voting parties with information regarding the conversion plan.
- (5) The savings association must provide to the department additional relevant information requested by the department regarding the conversion plan.

Sec. 9. (a) The department may approve or disapprove a conversion plan filed under section 8 of this chapter.

(b) The department is not required to hold a hearing on the conversion plan.

(c) Solicitation of the votes of voting parties may occur before

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the savings association receives the department's approval of the conversion plan.

**Sec. 10.** The department may not approve a conversion plan unless the department finds, after appropriate investigation or examination, all of the following:

- (1) That the resulting credit union will operate in a safe, sound, and prudent manner.
- (2) That the proposed credit union conversion will not result in a credit union that has inadequate capital, unsatisfactory management, or poor earnings prospects.
- (3) That the management or other principals of the savings association are qualified by character and financial responsibility to control and operate the proposed credit union in a legal and proper manner.
- (4) That the interests of the depositors, creditors, and public generally will not be jeopardized by the proposed credit union conversion.

**Sec. 11.** At the effective time of the conversion of a mutual savings association into a credit union under this chapter, the resulting credit union:

- (1) possesses all of the rights, privileges, immunities, and powers of a credit union;
- (2) unless otherwise provided in this chapter, is subject to all of the statutes, rules, duties, restrictions, obligations, and liabilities of a credit union;
- (3) succeeds by operation of law to all rights and property of the converting savings association;
- (4) is subject to all debts, obligations, and liabilities of the converting savings association as if the credit union had incurred the debts, obligation, and liabilities; and
- (5) may retain the borrowers and depositors of the converting savings association as members of the credit union.

**Sec. 12.** The department may authorize the credit union resulting from a conversion under this chapter to do the following:

- (1) Wind up any activities that the savings association was legally engaged in at the effective time of the conversion but that otherwise are not permitted to credit unions.
- (2) Retain for a transitional period any assets that the savings association legally held at the effective time of the conversion but that otherwise may not be held by credit unions.

The terms and conditions of the winding up of activities under subdivision (1) and the retention of assets under subdivision (2) are

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1 subject to the discretion of the department. However, the  
 2 transitional period during which activities may be carried out  
 3 under subdivision (1) or assets may be retained under subdivision  
 4 (2) may not exceed ten (10) years after the effective time of the  
 5 conversion.

6 Sec. 13. A credit union resulting from a conversion under this  
 7 chapter may retain all branches lawfully established.

8 Sec. 14. (a) A savings association converting into a credit union  
 9 under this chapter shall file with the secretary of state the articles  
 10 of conversion showing the approval of the director of the  
 11 department.

12 (b) The converting savings association shall record copies of the  
 13 articles of conversion with the county recorder of the county where  
 14 the principal office of the credit union will be located.

15 (c) The articles of conversion constitute articles of incorporation  
 16 of the resulting credit union and must set forth the elements  
 17 required in IC 28-7-1-1(b).

18 Sec. 15. Upon the effective time of the conversion, the converted  
 19 credit union is subject to all statutes and rules applicable to credit  
 20 unions.

21 Sec. 16. The department may adopt rules under IC 4-22-2 or  
 22 policies to implement this chapter.

23 SECTION 2. IC 28-1-21.12 IS ADDED TO THE INDIANA CODE  
 24 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 25 JULY 1, 2002]:

26 **Chapter 21.12. Charter Conversion of a Mutual Savings Bank**  
 27 **Into a Credit Union**

28 Sec. 1. As used in this chapter, "charter conversion" means the  
 29 conversion of a mutual savings bank into a credit union under this  
 30 chapter.

31 Sec. 2. As used in this chapter, "conversion plan" refers to a  
 32 plan of charter conversion prepared under this chapter.

33 Sec. 3. As used in this chapter, "credit union" has the meaning  
 34 set forth in IC 28-7-1-0.5(3).

35 Sec. 4. As used in this chapter, "effective time of the charter  
 36 conversion" means:

37 (1) the date that articles of conversion are filed with the  
 38 secretary of state; or

39 (2) the date designated in the articles of conversion as the  
 40 effective time of the charter conversion.

41 Sec. 5. As used in this chapter, "mutual savings bank" has the  
 42 meaning set forth in IC 28-6.1-2-5.

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1       **Sec. 6. As used in this chapter, "voting parties" means the:**

2           **(1) depositors; and**

3           **(2) borrowers;**

4       **of a mutual savings bank.**

5       **Sec. 7. With the approval of the department, a mutual savings**  
 6       **bank may convert its charter under this chapter.**

7       **Sec. 8. (a) The department shall prescribe procedures for**  
 8       **charter conversions under this chapter.**

9       **(b) The procedures prescribed by the department must include**  
 10       **the following:**

11           **(1) The mutual savings bank must prepare and submit to the**  
 12           **department a conversion plan that provides the terms and**  
 13           **conditions required by the department for a charter**  
 14           **conversion under this chapter.**

15           **(2) The conversion plan must be adopted by not less than a**  
 16           **majority of the board of directors of the mutual savings bank.**

17           **(3) Upon approval of a plan of charter conversion by the**  
 18           **board of directors of the savings bank, the conversion plan**  
 19           **and a certified copy of the resolution of the board of directors**  
 20           **approving the conversion plan must be submitted to the**  
 21           **department for approval.**

22           **(4) The conversion plan must be conditioned upon the**  
 23           **approval of not less than a majority of the total number of**  
 24           **votes eligible to be cast at a regular or special meeting of the**  
 25           **voting parties. The director of the department must approve**  
 26           **the method used to notify the voting parties of the meeting**  
 27           **held to consider the conversion plan. The director of the**  
 28           **department may require the converting mutual savings bank**  
 29           **to provide the voting parties with information regarding the**  
 30           **conversion plan.**

31           **(5) The mutual savings bank must provide to the department**  
 32           **the additional relevant information requested by the**  
 33           **department in connection with the conversion plan.**

34       **Sec. 9. The voting parties of a mutual savings bank have the**  
 35       **voting rights set forth in IC 28-13-6-2 with respect to a charter**  
 36       **conversion of the mutual savings bank under this chapter.**

37       **Sec. 10. (a) The department may approve or disapprove the**  
 38       **conversion plan filed under section 8 of this chapter.**

39       **(b) The department is not required to hold a hearing on the**  
 40       **conversion plan.**

41       **(c) Solicitation of the votes of voting parties may occur before**  
 42       **the mutual savings bank receives approval of the department if the**

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1 director of the department has reviewed the proxy solicitation  
2 material and has notified the mutual savings bank in writing that  
3 the department does not object to use of the material.

4 Sec. 11. The department may not approve the conversion plan  
5 unless the department finds, after appropriate investigation or  
6 examination, all of the following:

7 (1) That the resulting credit union will operate in a safe,  
8 sound, and prudent manner.

9 (2) That the proposed charter conversion will not result in a  
10 credit union that has inadequate capital, unsatisfactory  
11 management, or poor earnings prospects.

12 (3) That the management or other principals of the mutual  
13 savings bank are qualified by character and financial  
14 responsibility to control and operate the proposed credit  
15 union in a legal and proper manner.

16 (4) That the interests of the depositors, the creditors, and the  
17 public generally will not be jeopardized by the proposed  
18 charter conversion.

19 (5) That the proposed membership of the resulting credit  
20 union will comply with the membership requirements of  
21 IC 28-7-1-10.

22 Sec. 12. At the effective time of a charter conversion under this  
23 chapter, the resulting credit union:

24 (1) possesses all of the rights, privileges, immunities, and  
25 powers of a credit union;

26 (2) unless otherwise provided in this chapter, is subject to all  
27 of the statutes, regulations, duties, restrictions, obligations,  
28 and liabilities of a credit union:

29 (3) succeeds by operation of law to all rights and property of  
30 the converting mutual savings bank;

31 (4) is subject to all debts, obligations, and liabilities of the  
32 converting mutual savings bank as if the credit union had  
33 incurred the debts, obligations, and liabilities; and

34 (5) may retain the borrowers and depositors of the converting  
35 mutual savings bank as members of the credit union.

36 Sec. 13. The department may authorize the credit union  
37 resulting from a charter conversion under this chapter to do the  
38 following:

39 (1) Wind up any activities that the mutual savings bank  
40 legally engaged in at the effective time of the charter  
41 conversion but that otherwise are not permitted to credit  
42 unions.

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(2) Retain for a transitional period any assets that the mutual savings bank legally held at the effective time of the charter conversion that otherwise may not be held by credit unions.

The terms and conditions of the winding up of activities under subdivision (1) and the retention of assets under subdivision (2) are subject to the discretion of the department. However, the transitional period during which activities may be carried out under subdivision (1) or assets may be retained under subdivision (2) may not exceed ten (10) years after the effective time of the charter conversion.

Sec. 14. A credit union created by charter conversion may retain all branches lawfully established.

Sec. 15. (a) To effect a charter conversion, the converting mutual savings bank must file with the secretary of state articles of charter conversion showing the approval of the director of the department.

(b) The converting mutual savings bank shall record copies of the articles of charter conversion with the county recorder of the county where the principal office of the credit union will be located.

(c) The articles of charter conversion constitute articles of incorporation of the resulting credit union and must set forth the elements required in IC 28-7-1-1(b).

Sec. 16. Upon the effective time of a charter conversion, the converted credit union is subject to all statutes and rules applicable to credit unions.

Sec. 17. The department may adopt rules under IC 4-22-2 or policies to implement this chapter.

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